

Message Text

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ACTION COME-00

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5703

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E.O. 11652: N/A

TAGS: ETRD, BEXP, EAIR, UK

SUBJ: PRODUCT OPPORTUNITY - HS-146 PROGRAM

REF: LONDON 14593

1. WE DISCUSSED POSSIBLE CONTINUATION OF HS-146 PROJECT ON NOV. 13 WITH WARRINGTON, UNDER SECRETARY, AIR DIVISION DEPT. OF INDUSTRY. WARRINGTON SAID DECISION ON WHETHER UKG WOULD RESCUE PROJECT WOULD BE TAKEN BY CABINET, HE HOPED, WITHIN ABOUT TEN DAYS. WARRINGTON, WHO HAS BEEN SUPPORTER OF HS-146 PROGRAM, REFUSED TO SPECULATE ABOUT CABINET DECISION BUT HE INDICATED GETTING CABINET APPROVAL FOR ANY ADDITIONAL GOVERNMENT FUNDING FOR PROJECT WOULD BE DIFFICULT GIVEN CURRENT ECONOMIC CONDITIONS. WARRINGTON WOULD NOT DESCRIBE OPTIONS UNDER CONSIDERATION BUT FLIGHT INTERNATIONAL MAGAZINE REPORTS THAT ONE SOLUTION BEING SERIOUSLY STUDIED IS PRODUCTION OF TWO PROTO-TYPE HS-146S BUILT WITH NON-PRODUCTION STANDARD TOOLING. THIS WOULD STRETCH-OUT PROGRAM AND KEEP EXPENDITURES DOWN UNTIL, HOPEFULLY, MARKET UNCERTAINTIES DIMINISH

2. WARRINGTON SAID RESCUE OF HS-146 PROGRAM WAS BEING MADE CONSIDERABLY MORE DIFFICULT BECAUSE HAWKER SIDDELEY INSISTING IT WILL PUT NO MORE MONEY INTO PROJECT EVEN IF GOVERNMENT WOULD AGREE TO GUARANTEE FINAL SELLING PRICE OF AIRCRAFT.

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3. HAWKER HAS NOT YET DISMISSED ANY EMPLOYEES WHO WOULD

BE MADE REDUNDANT BY CANCELLATION OF HS-146. EVEN THOUGH IT NOW ESTIMATED THAT REDUNDANCIES WOULD PROBABLY AMOUNT TO LESS THAN 100, DISMISSAL NOTICES, IF ISSUED BEFORE GOVERNMENT PUDFSY FES ITS DECISION ON WHETHER IT PLANS CONTINUE PROGRAM, WILL STIR UP LABOR UNION PRESSURES BECAUSE THEY WOULD REGARD HS-146 DESIGN TEAM DISMISSALS AS PORTENT OF LARGE-SCALE LAY-OFFS IN 1976-77 AS COMPANY'S HATFIELD PLANT (WHERE HS-146 WOULD BE PRODUCED) COMPLETES PRESENT WORK ON TRIDENT AIRLINES SOLD TO PRC.

4. WE ASKED WARRINGTON WHETHER CALL BY AVCO-LYCOMING TEAM ON BRITISH MINISTERS WOULD BE USEFUL AT THIS JUNCTURE, BUT WARRINGTON SAID HE THOUGHT IT WOULD SERVE LITTLE PURPOSE. WE INTERPRETED WARRINGTON'S REMARKS TO IMPLY THAT INDUSTRY SECRETARY BENN ALREADY CONVINCED RHNSIREABILITY OF CONTINUING HS-146 PROGRAM BUT WOULD NOW HAVE TO PERSUADE CABINET COLLEAGUES. WARRINGTON ALSO POINTED OUT THAT IF AVCO-LYCOMING TEAM DID VISIT UKG, TEAM MIGHT BE ASKED TO DESCRIBE TERMS IT WOULD REQUIRE FOR CONTINUING PROJECT UNDER A RANGE OF OPTIONS UKG CONSIDERING. WARRINGTON SUGGESTED TERMS AVCO-LYCOMING LAID DOWN PROBABLY WOULD NOT BE CRITICAL FACTOR IN CABINET DECISION ON WHETHER TO CONTINUE PROGRAM AND IF PROGRAM CONTINUED, AVCO WOULD PROBABLY WANT TO NEGOTIATE THOSE TERMS RATHER THAN SPECIFY THEM BEFOREHAND.

5. ACTION REQUESTED: IF DEPARTMENT WAS IN TOUCH WITH AVCO-LYCOMING REGARDING OUR EARLIER SUGGESTION (PARA 3 REFTEL) ABOUT SENDING HIGH-LEVEL TEAM TO LONDON, REQUEST DEPARTMENT INFORM COMPANY OF WARRINGTON'S ADVICE ABOVE.

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